

TOWN OF POLLOCK

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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INDEPENDENT AUDITORS' REPORT

June 24, 2014

The Honorable Mayor, Jerome Scott
and Members of the Board of Aldermen
Town of Pollock, Louisiana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Pollock, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town's primary government as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* and issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements of the Town's primary government are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating

-Members-

American Institute of Certified Public Accountants • Society of Louisiana, CPAs

***The Honorable Mayor and
Members of the Board of Aldermen
June 24, 2014
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the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pollock, as of December 31, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

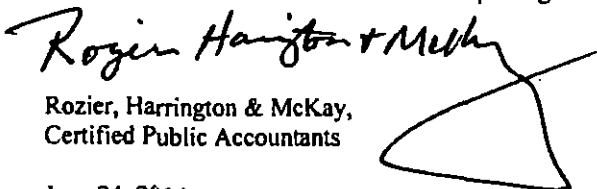
OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress described in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARD

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2014, on our consideration of the Town of Pollock's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pollock's internal control over financial reporting and compliance.


Rozier, Harrington & McKay,
Certified Public Accountants

June 24, 2014
Alexandria, Louisiana

Town of Pollock

Management's Discussion And Analysis ***December 31, 2013***

This section of the Town of Pollock's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended December 31, 2013.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Town's assets (including infrastructure acquired after January 1, 2004) and all of the Town's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including public safety, sanitation and general administration are reported as governmental activities. The governmental activities are financed by taxes, license and permit fees, intergovernmental sources, and utility franchise arrangements.
- **Business-Type Activities** – Expenses associated with providing utility services and operating the municipal airport are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with these services are reported as business type activities.

FUND FINANCIAL STATEMENTS

Fund financial statements provide detailed information regarding the Town's most significant activities and are not intended to provide information for the Town as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Town has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Town's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

Town of Pollock

Management's Discussion And Analysis

December 31, 2013

- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

NET POSITION

A condensed version of the government-wide Statement of Net Position is presented as follows:

	December 31, 2013			December 31, 2012
	Govern- mental Activities	Business- Type Activities	Total	
<u>Assets:</u>				
Current and Other Assets	\$ 368,024	\$ 1,932,803	\$ 2,300,827	\$ 2,530,222
Internal Balances	(27,026)	27,026	---	---
Capital Assets	1,709,496	10,201,098	11,910,594	11,615,398
Total Assets	2,050,494	12,160,927	14,211,421	14,145,620
<u>Liabilities:</u>				
Current and Other Liabilities	28,356	1,027,664	1,056,020	572,462
Long-term Liabilities	---	2,069,067	2,069,067	2,956,466
Total Liabilities	28,356	3,096,731	3,125,087	3,528,928
<u>Net Position:</u>				
Invested in Capital Assets (Net)	1,709,496	7,244,639	8,954,135	8,604,072
Restricted – Debt Service	---	381,331	381,331	739,914
Restricted- Airport Operations	---	231,305	231,305	271,243
Unrestricted	312,642	1,206,921	1,519,563	1,001,463
Total Net Position	\$ 2,022,138	\$ 9,064,196	\$ 11,086,334	\$ 10,616,692

As the presentation appearing above demonstrates, the largest portion of the Town's net position (80.77%) are invested in capital assets. Net position invested in capital assets consist of land, buildings, equipment, and any infrastructure acquired after December 31, 2003 less any debt used to acquire the assets that remains outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

An additional portion of the net position (3.44%) represent resources that are subject to restrictions that are imposed by agreements with the Town's bondholders or requirements imposed by various revenue sources. An additional portion of the net position (2.09%) are subject to restrictions that the

Town of Pollock

Management's Discussion And Analysis **December 31, 2013**

funds be used for Airport Operations. The remaining unrestricted net position (13.70%) may be used to meet the Town's ongoing obligations to citizens and creditors.

CHANGES IN NET POSITION

A condensed version of the government-wide Statement of Changes in Net Position is presented as follows:

	<u>For the Year Ended December 31, 2013</u>			<u>For the</u> <u>Year Ended</u> <u>December</u> <u>31, 2012</u>
	<u>Govern-</u> <u>mental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>	
<u>Revenues:</u>				
<u>Program Revenue:</u>				
Charges for Services	\$ 289,318	\$ 2,119,934	\$ 2,409,252	\$ 2,343,400
Operating Grants and Contributions	---	---	---	---
Capital Grants and Contributions	2,703	57,190	59,893	121,207
<u>General Revenue:</u>				
Property Taxes	---	---	---	---
Sales Taxes	67,471	---	67,471	59,737
Franchise Taxes	19,929	---	19,929	18,082
Licenses and Permits	34,916	---	34,916	33,424
Other	18,557	6,608	25,165	76,193
Total Revenue	432,894	2,183,732	2,616,626	2,652,043
<u>Program Expenses:</u>				
General Government	303,631	---	303,631	242,432
Public Safety – Police Department	334,956	---	334,956	283,634
Public Works – Roads and Bridges	1,525	---	1,525	65
Sanitation	---	---	---	---
Utility System	---	1,485,568	1,485,568	1,469,318
Airport	---	21,304	21,304	17,976
Total Expenses	640,112	1,506,872	2,146,984	2,013,425
Excess (Deficiency) Before Transfers and Special Items	(207,218)	676,860	469,642	638,618
Transfers	589,166	(589,166)	---	---
Change in Net Position	381,948	87,694	469,642	638,618
Net Position Beginning	1,640,190	8,976,502	10,616,692	\$ 9,978,074
Net Position Ending	\$ 2,022,138	\$9,064,196	\$11,086,334	\$10,616,692

Governmental activities increased the Town's net position by \$381,948. Business-type activities decreased the Town's net position by \$87,694.

Town of Pollock

Management's Discussion And Analysis

December 31, 2013

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The Town's governmental funds reported a combined fund balance of \$2,022,138 which represents an increase of \$381,948 in comparison to the previous balance. Differences between fund balances and net position reported for governmental activities are attributable to including capital assets in the determination of net position.

The Town's general fund, which is available for spending at the Town's discretion, reported a fund balance of \$257,843, which represents an decrease of \$256,920 in comparison to the previous balance.

Amounts reported for business-type activities in the Town's individual funds are identical to the business-type activities reported in the government-wide presentation.

GENERAL FUND BUDGET HIGHLIGHTS

The Town's general fund is required to adopt a budget and the budget is amended as necessary. For the current year, amendments were necessary to budget for a new police vehicle purchase that was not anticipated when the original budget was prepared. In the current year the Town's Revenues were less than budgeted amounts by \$105,447. The Town's expenses were less than budgeted expenses by \$273,734. Budget variances for revenues were greater than the acceptable range. In the current year transfers in were over budgeted. Due to the decrease in expenditures the amount of transfers in anticipated in the original budget were not needed to support the general fund in the current year and as a result the funds were not transferred in 2013.

CAPITAL ASSET ADMINISTRATION

Capital asset activity for the year ended December 31, 2013 was for the purchase of a Police vehicle and related accessories, fire hydrants, a generator, water meters, Sewer lift station equipment, computers, a PA system, Office Furniture, and Town Hall renovations. They also included signage, landscaping and the remodeling of the Old Police Station into a Community Center that were in process at December 31, 2013.

DEBT ADMINISTRATION

Debt was paid in accordance with amortization schedules.

Town of Pollock

STATEMENT OF NET POSITION

December 31, 2013

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 349,923	\$ 1,290,383	\$ 1,640,306
Receivables	18,101	253,681	271,782
Restricted Cash	-	388,739	388,739
Internal balances	(27,026)	27,026	-
Capital assets			
Non depreciable capital assets	469,970	20,600	490,570
Depreciable capital assets, net	<u>1,239,526</u>	<u>10,180,498</u>	<u>11,420,024</u>
Total assets	<u>2,050,494</u>	<u>12,160,927</u>	<u>14,211,421</u>
<u>LIABILITIES</u>			
Accounts and other payables	28,356	83,339	111,695
Deposits due others	-	49,525	49,525
Payable from restricted assets			
Accrued interest payable	-	7,408	7,408
Long-term liabilities-portion due within one year	-	887,392	887,392
Long-term liabilities - due in more than one year	<u>-</u>	<u>2,069,067</u>	<u>2,069,067</u>
Total liabilities	<u>28,356</u>	<u>3,096,731</u>	<u>3,125,087</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	1,709,496	7,244,639	8,954,135
Restricted for:			
Debt service	-	381,331	381,331
Airport operations	-	231,305	231,305
Unrestricted	<u>312,642</u>	<u>1,206,921</u>	<u>1,519,563</u>
Total Net Position	<u>\$ 2,022,138</u>	<u>\$ 9,064,196</u>	<u>\$ 11,086,334</u>

The accompanying notes are an integral part of the financial statements.

Town of Pollock

STATEMENT OF ACTIVITIES

Year ended December 31, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
<u>Governmental Activities:</u>							
General government	\$ 303,631	\$ 210	\$ -	\$ -	\$ (303,421)	\$ -	\$ (303,421)
Public safety - police department	334,956	289,108	-	2,703	(43,145)	-	(43,145)
Streets, Drainage and Recreation	1,525	-	-	-	(1,525)	-	(1,525)
Sanitation	-	-	-	-	-	-	-
Total governmental activities	640,112	289,318	-	2,703	(348,091)	-	(348,091)
<u>Business-Type Activities:</u>							
Utility System	1,485,568	2,117,624	-	57,190	-	689,246	689,246
Municipal Airport	21,304	2,310	-	-	-	(18,994)	(18,994)
Total business-type activities	1,506,872	2,119,934	-	57,190	-	670,252	670,252
Total primary government	\$ 2,146,984	\$ 2,409,252	\$ -	\$ 59,893	(348,091)	670,252	322,161
<u>General Revenues:</u>							
Taxes:							
Ad valorem					-	-	-
Sales taxes					67,471	-	67,471
Franchise					19,929	-	19,929
Licenses and permits					34,916	-	34,916
Miscellaneous					18,557	6,608	25,165
Internal transfers					589,166	(589,166)	-
Total general revenues					730,039	(582,558)	147,481
Change in Net Position					381,948	87,694	469,642
Net Position Beginning					1,640,190	8,976,502	10,616,692
Net Position-Ending					\$ 2,022,138	\$ 9,064,196	\$ 11,086,334

The accompanying notes are an integral part of the financial statements.

Town of Pollock

Balance Sheet

Governmental Funds - December 31, 2013

	General Fund	General Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 295,124	\$ 54,799	\$ -	\$ 349,923
Receivables (net)	18,101	-	-	18,101
Total assets	\$ 313,225	\$ 54,799	\$ -	\$ 368,024
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 28,356	\$ -	\$ -	\$ 28,356
Interfund payables	17,132	-	-	17,132
Advances from other funds	9,894	-	-	9,894
Total liabilities	55,382	-	-	55,382
Fund Balance				
Assigned				
Capital Projects Funds	-	54,799	-	54,799
Unassigned				
General Fund	257,843	-	-	257,843
Total Fund Balances	257,843	54,799	-	312,642
Total Liabilities and Fund Balance	\$ 313,225	\$ 54,799	\$ -	\$ 368,024

The accompanying notes are an integral part of the financial statements.

Town of Pollock

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Position of Governmental Activities on the Statement of Net Position

Year Ended December 31, 2013

Total Fund Balances- Governmental Funds	\$ 312,642
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>1,709,496</u>
Net Position of Governmental Activities	<u>\$ 2,022,138</u>

The accompanying notes are an integral part of the financial statements.

Town of Pollock

Statement of Revenues, Expenditures and Changes in Fund Balance **Governmental Funds - Year Ended December 31, 2013**

	General Fund	General Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Taxes:				
Ad valorem	\$ -	\$ -	\$ -	\$ -
Sales	67,471	-	-	67,471
Franchise taxes	19,929	-	-	19,929
Licenses & permits:	34,916	-	-	34,916
Intergovernmental	15,763	-	-	15,763
Fines and forfeitures	276,258	-	-	276,258
Other	18,557	-	-	18,557
Total Revenues	432,894	-	-	432,894
<u>Expenditures:</u>				
Current:				
General government	241,759	-	-	241,759
Public safety - police department	294,965	-	-	294,965
Streets	1,525	-	-	1,525
Capital expenditures	750,731	-	-	750,731
Total Expenditures	1,288,980	-	-	1,288,980
Excess (Deficiency) of				
Revenues Over Expenditures	(856,086)	-	-	(856,086)
<u>Other Financing Sources (Uses):</u>				
Operating transfers in	599,166	-	-	599,166
Operating transfers out	-	(10,000)	-	(10,000)
Net Change in Fund Balances	(256,920)	(10,000)	-	(266,920)
Fund Balance (Deficit) -				
Beginning of Year	514,763	64,799	-	579,562
Fund Balance (Deficit) -				
End of Year	\$ 257,843	\$ 54,799	\$ -	\$ 312,642

The accompanying notes are an integral part of the financial statements.

Town of Pollock

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year Ended December 31, 2013

Net change in fund balances of Governmental Funds \$ (266,920)

Amounts reported for governmental activities in the statement of

activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

648,868

Change in net position of governmental activities

\$ 381,948

The accompanying notes are an integral part of the financial statements.

Town of Pollock

Statement of Net Position

Proprietary Funds - December 31, 2013

	Business-Type Activities - Enterprise Funds		
	Utility System	Municipal Airport	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 1,083,647	\$ 206,736	\$ 1,290,383
Receivables (net)	253,226	455	253,681
Total current assets	1,336,873	207,191	1,544,064
Restricted Assets:			
Cash and cash equivalents			
Debt service	388,739	-	388,739
Noncurrent Assets:			
Interfund receivables	-	17,132	17,132
Advances to other funds	-	9,894	9,894
Non depreciable assets	20,600	-	20,600
Depreciable assets (net)	10,130,298	50,200	10,180,498
Total assets	11,876,510	284,417	12,160,927
LIABILITIES:			
Current Liabilities:			
Accounts and other payable	80,427	2,912	83,339
Interfund Payables	-	-	-
Deposits due others	49,525	-	49,525
Total current liabilities	129,952	2,912	132,864
Liabilities Payable From Restricted Assets:			
Accrued interest payable from restricted assets	7,408	-	7,408
Current portion of long-term debt	887,392	-	887,392
Noncurrent Liabilities:			
Advances from other funds	-	-	-
Long-term debt	2,069,067	-	2,069,067
Total liabilities	3,093,819	2,912	3,096,731
NET POSITION:			
Invested in capital assets, net of related debt	7,194,439	50,200	7,244,639
Restricted for:			
Debt service	381,331	-	381,331
Airport operations	-	231,305	231,305
Unrestricted	1,206,921	-	1,206,921
Total net position	\$ 8,782,691	\$ 281,505	\$ 9,064,196

The accompanying notes are an integral part of the financial statements.

Town of Pollock

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds - December 31, 2013

	Business-Type Activities - Enterprise Funds		
	Utility System	Municipal Airport	Total
<u>Operating Revenues:</u>			
Charges for services	\$ 2,112,256	\$ 1,400	\$ 2,113,656
Other	5,368	910	6,278
Total Operating Revenues	2,117,624	2,310	2,119,934
<u>Operating Expenses:</u>			
Depreciation	419,587	4,210	423,797
Insurance	48,916	-	48,916
Legal and professional	32,660	16,212	48,872
Other	37,294	99	37,393
Payroll taxes and benefits	135,027	-	135,027
Repairs and maintenance	174,481	-	174,481
Salaries and wages	336,680	-	336,680
Utilities and telephone	161,336	783	162,119
Total Operating Expenses	1,345,981	21,304	1,367,285
Operating Income (Loss)	771,643	(18,994)	752,649
<u>Nonoperating Revenues (Expenses):</u>			
Interest income	6,608	-	6,608
Interest expense	(139,587)	-	(139,587)
Contributed Capital	57,190	-	57,190
Change in Net Position Before Contributions and Transfers	695,854	(18,994)	676,860
<u>Special Items and Transfers:</u>			
Operating Transfers In (Out)	(564,012)	(25,154)	(589,166)
Change in net position	131,842	(44,148)	87,694
Total net position - beginning	8,650,849	325,653	8,976,502
Total net position - ending	\$ 8,782,691	\$ 281,505	\$ 9,064,196

The accompanying notes are an integral part of the financial statements.

Town of Pollock

Statement of Cash Flows

Proprietary Funds - Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds		
	Utility	Municipal	
	System	Airport	Total
<u>Cash flow from operating activities:</u>			
Cash received from customers	\$ 2,167,971	\$ 2,310	\$ 2,170,281
Cash payments to suppliers of goods and services	(675,697)	(14,291)	(689,988)
Cash payments to employees for services	(336,680)	-	(336,680)
Net cash provided (used) by operating activities	<u>1,155,594</u>	<u>(11,981)</u>	<u>1,143,613</u>
<u>Cash flows from non-capital financing activities:</u>			
Repayment of advance	-	27,154	27,154
Change in due to from other funds	-	(17,132)	(17,132)
Operating transfers out	(564,012)	(25,154)	(589,166)
Ad valorem taxes	-	-	-
Net cash provided (used) by non-capital financing activities	<u>(564,012)</u>	<u>(15,132)</u>	<u>(579,144)</u>
<u>Cash flows from capital and related financing activities:</u>			
Capital Expenditures	(70,125)	-	(70,125)
Debt Proceeds	-	-	-
Contributed Capital	57,190	-	57,190
Change in Accrued Loan Interest	(137)	-	(137)
Principle paid on long-term debt	(54,867)	-	(54,867)
Interest paid on long-term debt	(139,587)	-	(139,587)
Net cash provided (used) by capital and related financing activities	<u>(207,526)</u>	<u>-</u>	<u>(207,526)</u>
<u>Cash flows from investing activities:</u>			
Interest and other income	<u>6,608</u>	<u>-</u>	<u>6,608</u>
Net cash provided (used) by investing activities	<u>6,608</u>	<u>-</u>	<u>6,608</u>
Net increase (decrease) in cash	390,664	(27,113)	363,551
Beginning cash balance	<u>1,081,722</u>	<u>233,849</u>	<u>1,315,571</u>
Ending cash balance	<u>1,472,386</u>	<u>206,736</u>	<u>1,679,122</u>
Less restricted cash and cash equivalents	<u>388,739</u>	<u>-</u>	<u>388,739</u>
Cash and cash equivalents	<u>\$ 1,083,647</u>	<u>\$ 206,736</u>	<u>\$ 1,290,383</u>

The accompanying notes are an integral part of the financial statements.

Town of Pollock

Statement of Cash Flows (Continued)

Proprietary Funds - Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds		
	Utility	Municipal	Total
	System	Airport	
<u>Reconciliation of operating income (loss)</u>			
<u>to net cash</u>			
Operating income (loss)	\$ 771,643	\$ (18,994)	\$ 752,649
Adjustments to reconcile operating income to net cash			
provided by operating activities:			
Depreciation	419,587	4,210	423,797
(Increase) decrease in accounts receivable	39,442	-	39,442
(Decrease) increase in accounts and other payables	(85,983)	2,803	(83,180)
(Decrease) increase in meter deposits	10,905	-	10,905
Net cash provided (used) by operating activities	<u>\$ 1,155,594</u>	<u>\$ (11,981)</u>	<u>\$ 1,143,613</u>

Supplemental disclosures of cash flow information:

During the year ended December 31, 2013, the Airport Fund reduced the amount reported as an advance receivable from the general fund by \$25,154 in exchange for services performed by the the General Fund. There were no further operating, financing, or investing activities during the year that did not result in cash receipts or payments.

The accompanying notes are an integral part of the financial statements.

TOWN OF POLLOCK, LOUISIANA

Notes To Financial Statements

December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Pollock, Louisiana (the Town) was incorporated under the provisions of Louisiana Law. The Town is governed by its Mayor and a Board of Aldermen consisting of five members. Services provided to the citizens of Pollock include but are not limited to public safety (police and fire protection), streets, sanitation, water utility service, sewer utility service, and operation of a municipal airport.

The Town's accounting policies conform to generally accepted accounting principals for governmental units. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Some of the Town's more significant accounting policies are described as follows:

FINANCIAL REPORTING ENTITY

As the municipal governing authority, for reporting purposes, the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) established criteria for determining which component units should be considered part of the Town of Pollock for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a) The ability of the Town to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based upon application of these criteria, there were no potential component units and all of the Town's activities were included in the primary government reporting entity.

TOWN OF POLLOCK, LOUISIANA

Notes To Financial Statements

December 31, 2013

BASIC FINANCIAL STATEMENTS

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises...

The government-wide and fund financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the Town as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

FUND FINANCIAL STATEMENTS

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and business-type (enterprise) funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Town's major funds are described as follows:

MAJOR GOVERNMENTAL FUNDS

General Fund – The general fund is the primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Outlay – The capital outlay fund is a capital project fund used to account for construction projects conducted with funds provided by the State's capital outlay program.

MAJOR BUSINESS-TYPE FUNDS

Utility System – The utility system fund is used to account for the operation of the Town's water and sewer system, which is supported by user charges.

TOWN OF POLLOCK, LOUISIANA

Notes To Financial Statements

December 31, 2013

Municipal Airport – The Municipal Airport Fund is used to account for the operation of the Town's airport, which is supported by revenue generated from the Airport and surrounding property.

Business-Type funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with the funds ongoing operations. Principal operating revenues are charges to customers for water and sewer service.

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources
Fiduciary Funds	Accrual Basis	Economic Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of account and the current financial resources measure focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end or if it is due under a cost reimbursement arrangement. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, claims and judgments are recorded as expenses when payment is made. Furthermore, when the current financial resources measure focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt are reported as an other financing source and repayment of long-term debt is reported as an expenditure.

BUDGETARY CONTROL

The Mayor prepares an annual budget for the Town's general fund. This budget is submitted to the Board of Aldermen and an approved budget is adopted before the beginning of each fiscal year. Amended budgets are prepared prior to the conclusion of each fiscal year. The amended budgets are prepared and approved in the same manner as the original budget.

The general fund budget presents revenue and expenditures on a basis which is consistent with generally accepted accounting principles. No annual budget is required for the Town's Utility Fund.

TOWN OF POLLOCK, LOUISIANA

Notes To Financial Statements

December 31, 2013

CASH AND CASH EQUIVALENTS

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments. Credit risk associated with bank deposits is limited by requiring fiscal agent banks to pledge securities as required by State Law. Furthermore, interest rate risk associated with certificates of deposits is typically mitigated by purchasing instruments that mature in one year or less.

INTERNAL ACTIVITY:

Interfund transactions are reported as operating transfers when the recipient fund is not expected to provide repayment. Transactions that are expected to result in repayment are reported as interfund receivables and payables. Any interfund receivables and payables that are not expected to be repaid with one year are classified as advances.

In preparing the government-wide financial statements, internal activity is eliminated to present net amounts for governmental activities and business-type activities.

RESTRICTED ASSETS:

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. Whenever restricted assets can be used to satisfy an obligation, the restricted assets are typically consumed before utilizing any unrestricted resources.

CAPITAL ASSETS

Capital assets, which include property, equipment and infrastructure acquired after December 31, 2003, are reported as assets in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Assets reported in the fund financial statements for governmental funds exclude capital assets. Instead, the governmental funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the Town. Capital assets are depreciated using the straight-line method and estimated useful lives ranging from 3 to 40 years. Useful lives are selected depending on the expected durability of the particular asset.

COMPENSATED ABSENCES

The Town does not accumulate unpaid vacation, sick pay, and other employee benefit amounts because employees are not allowed to carry over significant amounts.

NOTE 2 - CASH AND CASH EQUIVALENTS

Deposits are stated at cost, which approximates market. Under state law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit.

TOWN OF POLLOCK, LOUISIANA

Notes To Financial Statements

December 31, 2013

with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2013, the Town had \$2,030,055 in deposits (collected bank balance). These deposits are secured from risk by \$250,000 of federal deposit insurance on demand deposits; \$250,000 of federal deposit insurance on the Interest Bearing Accounts for a total of \$500,000 and \$1,691,232 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

NOTE 3 - RECEIVABLES

Receivables at December 31, 2013 consisted of the following:

	Governmental Activities	Business-Type Activities
<u>Accounts Receivable</u>		
Charges for Services	\$ ----	\$ 244,368
Franchise Taxes	5,703	----
Ad Valorem Taxes	----	----
Grant		7,023
Other	----	2,290
Total Accounts Receivable	5,703	253,681
<u>Due From Other Governments</u>		
Sales Tax	12,398	----
Total Due From Other Governments	12,398	----
Receivables, net	\$ 18,101	\$ 253,681

NOTE 4 - LONG-TERM DEBT

Long-term debt outstanding at year end is described as follows:

	Governmental Activities	Business-Type Activities	TOTAL
Utility Revenue Bonds	\$ ----	\$ 2,956,459	\$ 2,956,459
Total Obligations	----	2,956,459	2,956,459
Due Within One Year	----	887,392	887,392
Due in More Than One Year	\$ ----	\$ 2,069,067	\$ 2,069,067

TOWN OF POLLOCK, LOUISIANA

Notes To Financial Statements

December 31, 2013

Long-term debt activity for the year ended December 31, 2013, is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Business-Type Activities</u>				
General Obligation Bonds	\$ ----	\$ ----	\$ ----	\$ ----
Utility Revenue Bonds	3,011,326	----	54,867	2,956,459
Total Long-term Debts	\$ 3,011,326	\$ ----	\$ 54,867	\$ 2,956,459

GENERAL OBLIGATION AND UTILITY REVENUE BONDS

At December 31, 2013 the following Bond Issues were outstanding:

	<u>Outstanding Balance</u>	
	<u>Utility Revenue</u>	<u>General Obligation</u>
\$2,525,000 Utility Revenue Bonds, dated May 12, 1999, with proceeds to be collected in installments for the purpose of funding construction costs. Due in monthly installments of \$11,994 including interest of 4.75% beginning May 12, 2001, final installment due May 12, 2039.	\$ 2,113,557	\$ ----
\$930,000 Utility Revenue Bonds, dated November 11, 2004, with proceeds to be collected in installments for the purpose of funding construction costs. Due in monthly installments of \$4,222 including interest of 4.5% beginning December 7, 2005, final installment due December 15, 2044. This loan was paid off in May 2014.	842,902	---
Total	\$ 2,956,459	\$ ----

TOWN OF POLLOCK, LOUISIANA

Notes To Financial Statements

December 31, 2013

A schedule of maturities of general obligation and utility revenue bonds is presented as follow:

	<u>Utility Revenue</u>	<u>Interest</u>
2014	\$ 887,392	\$ 118,068
2015	46,650	97,275
2016	48,915	95,010
2017	51,290	92,635
2018	53,780	90,145
2019 – 2023	310,692	408,933
2024 – 2028	393,793	325,828
2029 – 2033	499,126	220,497
2034 – 2038	632,632	86,991
2039	32,189	312
Total	\$ 2,956,459	\$ 1,535,694

NOTE 5 – CAPITAL ASSETS

A summary of capital transactions for the year ended December 31, 2013 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities				
Non Depreciable Capital Assets				
Land	\$ 207,407	\$ ---	\$ ---	\$ 207,407
Donated Property	140,000	---	---	140,000
Construction in Process	483,386	648,704	1,009,527	122,563
Total	830,793	648,704	1,009,527	469,970
Depreciable Capital Assets				
Buildings and Improvements	266,073	1,009,527	---	1,275,600
Vehicles	110,853	---	---	110,853
Furniture, Fixtures and Equipment	169,194	102,027	---	271,221
Accumulated Depreciation	(316,285)	(101,863)	---	(418,148)
Total	229,835	1,009,691	---	1,239,526
Total Governmental Activities	\$ 1,060,628	\$ 1,658,395	\$ 1,009,527	\$ 1,709,496

TOWN OF POLLOCK, LOUISIANA

Notes To Financial Statements

December 31, 2013

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<u>Business-Type Activities</u>				
Non-Depreciable Capital Assets				
Land and Right of Ways	\$ 20,600	\$ ---	\$ ---	\$ 20,600
Utility Construction in Process	107,272	15,722	122,994	----
Total	127,872	15,722	122,994	20,600
Depreciable Capital Assets				
Water Distribution System	2,950,074	145,672	----	3,095,746
Wastewater System	2,048,920	31,725	----	2,080,645
Airport Improvements	181,360	----	----	181,360
Prison Utility System	10,671,616	----	----	10,671,616
Accumulated Depreciation	(5,425,072)	(423,797)	----	(5,848,869)
Total	10,426,898	(246,400)	----	10,180,498
Total Business-Type Activities	\$ 10,554,770	\$ (230,678)	\$ 122,994	\$ 10,201,098

Depreciation expense charged to various functions presented on the statement of activities is presented as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General Government	\$ 61,872	\$ ---	\$ 61,872
Public Safety	39,991	----	39,991
Utility System	----	419,587	419,587
Municipal Airport	----	4,210	4,210
Total Depreciation Expense	\$ 101,863	\$ 423,797	\$ 525,660

NOTE 6 - TAXES

Ad Valorem Taxes:

The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Grant Parish. For the year ended December 31, 2013, the Town did not levy any mills for general corporate purposes.

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year the tax is levied. Revenues from ad valorem taxes are recognized as revenue in the year billed. There were no material amounts of uncollectible ad valorem taxes at December 31, 2013.

Sales Taxes:

Citizens of the Town have permanently approved a 1.0% sales tax which is to be used for General Fund expenditures. The sales taxes are collected by the Grant Parish Sheriff's Office and remitted to the Town on a monthly basis.

TOWN OF POLLOCK, LOUISIANA

Notes To Financial Statements

December 31, 2013

NOTE 7 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are covered by participation in a public entity risk pool that operates as a common insurance program and by acquiring commercial insurance coverage. Claims resulting from these risks have historically not exceeded insurance coverage.

NOTE 8 - PENSION PLAN

The Town of Pollock's employees are covered by the State Retirement System for municipal employees with the exception of one police officer who is covered by the Municipal Police Employees Retirement System of Louisiana.

In January 2010 the Town joined the State Retirement System for its municipal employees. This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town of Pollock is required to contribute at an actuarially determined

TOWN OF POLLOCK, LOUISIANA

Notes To Financial Statements

December 31, 2013

rate. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Pollock are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

One police officer of the Town of Pollock is enrolled in the Municipal Police Employees Retirement System of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plan administered by separate board of trustees. Pertinent information relative to this plan is presented as follows:

Plan Description. All full-time police department employees engaged in law enforcement are eligible to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70800-2250, or by calling (225) 929-7411.

Funding Policy: Plan members are required by state statute to contribute 10.0 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System for the years ending December 31, 2013 were equal to the required contributions for the year.

NOTE 9 - INTERGOVERNMENTAL AGREEMENT

The Town operates a municipal airport on property that was originally donated by the Federal Government. Since the property was provided by Federal sources, the Federal government retains a degree of oversight responsibility. In the course of exercising its oversight responsibility, the Federal Aviation Administration (FAA) determined that certain monies generated by the Airport property were used to fund non-airport municipal expenditures in violation with its agreements.

TOWN OF POLLOCK, LOUISIANA

Notes To Financial Statements

December 31, 2013

In response to the findings described above, the Town has entered into a repayment agreement with the FAA. The agreement, which was accepted by the FAA on November 11, 1987, requires the general fund to repay a total of \$350,899 to the Municipal Airport Enterprise Fund. Under the terms of the repayment agreement, the general fund is required to execute \$2,000 installments on an annual basis. In addition, the general fund will receive credit for the following in-kind services provided on behalf of the Airport.

- Twenty-four percent (24%) of the Town Clerk's salary.
- An annual allowance of \$600 for the Town Clerk's office expense.
- Twenty-six percent (26%) of the Police Chief's salary.
- An annual allowance of \$900 for the Police Chief's vehicle expense.

The amount currently payable by the general fund to the municipal airport enterprise fund is presented as an advance in the accompanying financial statements. The amount presented in the accompanying financial statements was computed as follows:

Original Balance – November 11, 1987	\$ 350,899
In-kind payments for the year ended:	
December 31, 1995 through December 31, 2011	(277,851)
December 31, 2013	(25,154)
<u>Cash payments for year 1995 through 2013.</u>	<u>(38,000)</u>
Balance-December 31, 2013	\$ 9,894

NOTE 10 - RESTRICTED RESOURCES

Restrictions on the Town's utility fund imposed by various laws, regulations, contracts and grants are summarized as follows:

Bond covenants require the Town to establish bank accounts which serve as debt service and depreciation reserves. Funds may be disbursed from these accounts only under specific circumstances described by the bond covenants.

Assets, liabilities, and equity classified as restricted are summarized as follows:

Cash	\$ 388,739
Liabilities Payable from Restricted Assets	7,408
<u>Total Restricted Retained Earnings</u>	<u>\$ 381,331</u>

TOWN OF POLLOCK, LOUISIANA

Notes To Financial Statements

December 31, 2013

The Town also operates a municipal airport on property that was originally provided by Federal sources. Restrictions imposed by the donor require resources generated by the property to be used solely for operation of the Airport and maintenance of the property. Accordingly, resources held by the Municipal Airport Fund in the amount of \$231,305 have been classified as restricted.

NOTE 11 – CONTINGENCIES

Portions of the Town's Utility Systems are located in the right of way of various state roads. In connection with improvements to the State Highway System, it has been necessary for the town to relocate portions of its service lines. In order to assist with the financial burdens of line relocation, the state has provided Utility Relocation Assistance Funds (URAF) to the town. The URAF program states that such assistance are not loans and the town is not currently required to repay or reimburse the state for this funding. The town may eventually be required to reimburse/repay these funds in order for the town to have access to state owned rights of ways in the future. For the years ended December 31, 2002 and 2003, the town received \$120,058 in URAF assistance. The amount of URAF assistance the town has received in years prior to 2002 cannot be presently be determined.

NOTE 12 – ECONOMIC DEVELOPMENT ACTIVITIES

In order to enhance the local economy and provide employment opportunities for the citizens of Pollock, the Town has devoted substantial attention and resources to the development of a federal prison facility. The Town's activities associated with this project are summarized as follows:

PRISON SITE

In order to make the Town's property available for a prison site it was necessary to negotiate a release from deed a restriction that encumbered the property. As consideration for the release of the deed restriction, the FAA required compensation for the Town's Municipal Airport. The Town agreed to provide compensation by transferring funds from the Utility System to the Municipal Airport. Under the terms of this arrangement, funds are required to be transferred in annual installments of \$19,800. Furthermore, the annual transfers must be completed for a period of ten consecutive years beginning March 31, 2000. During 2009, the Town paid its final payment on this obligation.

Based on the present value of the compensation payable to Municipal Airport, the cost of the Utility System's investment in the prison site was determined to be \$154,764. Upon release of the deed restriction, the prison site was donated to the Bureau of Prisons.

UTILITY SERVICE COMMITMENT

The Town has entered into an agreement to provide water and sewer service for the federal prison facility. In order to fulfill this commitment, the Town constructed a new water system and sewer system. Funding for a portion of new utility infrastructure was provided by a tap fee in the amount of \$1,000,000 that was collected from the Bureau of Prisons during 1999. Funding for the remaining improvements was provided by a capital outlay project and by issuing revenue bonds. In September 2003, the Town negotiated a second Prison site with the Bureau of Prisons which calls for a payment

TOWN OF POLLOCK, LOUISIANA

Notes To Financial Statements

December 31, 2013

of a tap fee of \$3,023,750 and increased monthly utility fees. This new tap fee has covered the costs of needed expansion of the water and sewer systems to accommodate the new facility. This \$3,023,750 tap fee was received and recorded as revenue in 2004.

Revenue earned from providing services to the Bureau of Prisons will be used to operate the Utility System and service debt incurred in connection with construction of the system. Furthermore, income from the Utility System will provide a source of funds for compensating the Municipal Airport for land that was included in the prison site.

NOTE 13 – INTERNAL ACTIVITY

For the year ended December 31, 2013, internal activity is summarized as follows:

	<u>Internal Balances</u>	<u>Internal Transfers</u>
Advances	\$ 37,048	\$ ----
Due From (To) Other Funds	17,132	----
Operating Transfers	----	599,166
Total	54,180	599,166
Internal Eliminations	27,154	10,000
Net Total	\$ 27,026	\$ 589,166

Further details regarding internal activity are provided as follows:

ADVANCES

As discussed previously, the Municipal Airport Fund is entitled to collect certain advances from other funds. The nature of these advances and the current balances are described in the following manner:

The Municipal Airport Fund has provided advances to the General Fund. As discussed in Note 9, the original balance of \$350,899 is being eliminated through a formal repayment plan	\$ 9,894
Total Advances	\$ 9,894

TOWN OF POLLOCK, LOUISIANA

Notes To Financial Statements

December 31, 2013

DUE FROM (TO) OTHER FUNDS

Interfund balances of a short-term nature reported at December 31, 2013 are included in the Internal Activity Note 13. No other interfund balances of a short-term nature existed at December 31, 2013.

OPERATING TRANSFERS

Details related to interfund transfers are presented as follows:

As discussed in Note 9, the intergovernmental agreement with the FAA allows certain resources to be transferred from the Municipal Airport Fund to the General Fund.	\$ 25,154
The Utility Fund has incurred certain expenses on behalf of the General Fund without expectation of reimbursement.	564,012
Total Operating Transfers In (Out)	\$ 589,166

NOTE 14 – DONATED PROPERTY

On August 30, 2010 James and Claudia Balfour donated a property located at 3911 Hwy 8, Pollock, Louisiana to the Town. The property includes a building and approximately four acres of land. The appraised value of this property is \$140,000. The only deed restriction placed on the property is that the property must be used for any public purpose. The Town has decided to renovate the building and use the property as a New Town Hall municipal building. As of December 31, 2013 renovation of the property was completed.

NOTE 15 – GRANT REVENUES

During 2012 the Town received grant revenues from various sources. The Town received funding from one grant that was federal funds. The Town was awarded a Community Development Block Grant (CDBG) Gustave/Ike Disaster in the amount of \$111,200. In 2011 \$11,066 of these funds were received. In 2012 \$9,317 of these funds were received and \$75,770 were receivable at December 31, 2012. In the current year the December 31, 2012 receivable was received and \$12,187 was received for 2013 activity. The project is completed.

The generator construction funded through the LCDBG completed in 2013 is the only source of Federal Fund Expenditures in the current year. In 2013 the Town incurred \$12,187 of Federal Expenditures on the generator construction engineering fees. A recap of Federal Grant Fund expenditures on the CDBG project are as follows:

	<u>Generator</u>
2011	\$ 11,066
2012	85,087
2013	12,187
Totals 2011, 2012 and 2013	\$ 108,340

TOWN OF POLLOCK, LOUISIANA

Notes To Financial Statements

December 31, 2013

The Town received funding from four grants in the current year that are non-federal funds. The details are as follows:

- In the prior year, the Town was awarded an LGAP Grant for the purchase of water meters in the amount of \$14,025. In the prior year \$11,120 was received and in the current year \$2,905 was received. The project was completed in 2013.
- In the current year, the Town also received a Louisiana CWEF Grant in the amount of \$12,560 for Fire Hydrants. The Grant Revenues were received and the project was completed in 2013.
- In the current year, the Town received a Louisiana CWEF award in the amount of \$8,500 for the purchase of check valve Water well improvements. \$7,023 of the funds were expended and are a receivable at December 31, 2013. The project was completed in 2013.
- In the current year the Town received an LGAP Grant for Sewer Lift Station Renovations in the amount of \$22,500. The Grant funds were received in 2013 and the project was completed.

Town of Pollock

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances (Budget and Actual) - Year Ended December 31, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
<u>Revenues:</u>				
Taxes:				
Ad valorem	\$ -	\$ -	\$ -	\$ -
Sales	56,000	56,000	67,471	11,471
Franchise taxes	20,000	18,000	19,929	1,929
Licenses & permits:	37,500	34,916	34,916	-
Intergovernmental	-	-	15,763	15,763
Fines and forfeitures	260,000	297,995	276,258	(21,737)
Interest	1,000	-	-	-
Other	20,000	28,317	18,557	(9,760)
Total revenues	394,500	435,228	432,894	(2,334)
<u>General Government:</u>				
Current				
General government	1,278,200	1,220,769	241,759	979,010
Public safety- police department	237,398	338,745	294,965	43,780
Sanitation	21,300	3,200	-	3,200
Streets	-	-	1,525	(1,525)
Capital expenditures	-	-	750,731	(750,731)
Total expenditures	1,536,898	1,562,714	1,288,980	273,734
Excess (Deficiency) of				
Revenues Over Expenditures	(1,142,398)	(1,127,486)	(856,086)	271,400
<u>Other Financing Sources (Uses):</u>				
Operating transfers in	1,100,000	702,279	599,166	(103,113)
Operating transfer out	-	-	-	-
Net Change in Fund Balances	(42,398)	(425,207)	(256,920)	168,287
Fund Balance (Deficit) -				
Beginning of Year	514,763	514,763	514,763	-
Fund Balance (Deficit) -				
End of Year	\$ 472,365	\$ 89,556	\$ 257,843	\$ 168,287

Town of Pollock

Schedule of Per Diem Paid to Board Members For the year ended December 31, 2013

Jerome Scott, Mayor	\$ 9,000
Gregory Decker	3,000
Sharon Zeh	3,000
R. Wilkins, Sr.	3,000
June Johnson	3,000
Carol Weidner	1,250
Randy Estes	<u>1,750</u>
 Total	 <u><u>\$ 24,000</u></u>

ROZIER, HARRINGTON & MCKAY

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M. DALE HARRINGTON, CPA
RETIRED - 2005

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 24, 2014

The Honorable Mayor and
Members of the Board of Aldermen
Town of Pollock, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Pollock, Louisiana, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town of Pollock's basic financial statements and have issued our report thereon dated June 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Pollock's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Pollock's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Pollock's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we identified one deficiency in internal control that we consider to be a material weakness. The deficiency (2013-2) is described in the accompanying schedule of findings and questioned costs. However, additional material weaknesses may exist that have not been identified.

-Members-

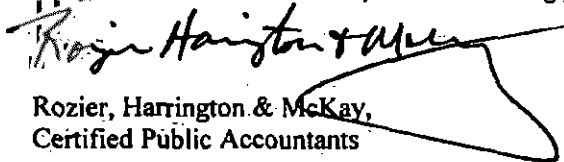
American Institute of Certified Public Accountants • Society of Louisiana, CPAs

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town of Pollock's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. This finding is described in the accompanying schedule of findings and questioned costs as 2013-1.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rozier, Harrington & McKay,
Certified Public Accountants

Alexandria, Louisiana

June 24, 2014

TOWN OF POLLOCK

Schedule of Findings and Questioned Cost **For the Year Ended December 31, 2013**

PART I - SUMMARY OF AUDITOR'S RESULTS:

- The Independent Auditor's Report on the primary government financial statements for the Town of Pollock as of December 31, 2013 and for the year then ended expressed an unqualified opinion.
- The results of the audit disclosed one instance (2013-1) of noncompliance that is considered to be material to the financial statements of the Town of Pollock.
- The results of the audit disclosed one deficiency in internal control (2013-2) which is required to be reported as a material weakness.

PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

- Finding 2013-1: Budget Violation- In the current year General Fund budgeted revenues exceeded actual revenues by 9.27%.
- Finding 2013-2: Legislative Auditor Findings – In June 2014 the Town received a letter from the Legislative Auditor referencing unresolved issues in the police evidence room related to a 2011 procedure and the related findings. Based on the letter received in June 2014 there are still some unresolved issues that need to be addressed.

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:

- N/A

Town Of Pollock
Management's Corrective Action Plan
December 31, 2013

<u>SECTION I</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
FINDINGS:	RESPONSE:
<u>Finding 2013-1: General Fund Budget Violation:</u> In the current year General Fund budgeted revenues exceeded actual revenues by 9.27%.	<u>Response:</u> In the current year expenses were less than expected and therefore the need for transfers in were not as high as budgeted. We have reviewed our budget for the year ending December 31, 2014 to ensure future budgetary compliance.
<u>Finding 2013-2: Legislative Auditor Findings:</u> In June 2014 the Town received a letter from the Legislative Auditor referencing unresolved issues in the police evidence room related to a 2011 procedure and the related findings. Based on the letter received in June 2014 there are still some unresolved issues that need to be addressed.	<u>Response:</u> We are working with our Council and Attorney to resolve the remaining issues referenced in the Legislative Auditor's letter dated June 2014.
<u>SECTION II</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
A single audit was not required.	Response – N/A
<u>SECTION III</u> MANAGEMENT LETTER	
N/A- No Management Letter issued.	Response – N/A

Town Of Pollock
Summary of Prior Year Findings and Questioned Costs
December 31, 2013

<u>SECTION I</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
<u>Finding 2012-1: Ticket Controls:</u> During our audit procedures we found that ticket books were not being properly accounted for.	Resolved.
<u>Finding 2012-2: General Fund Budget Violation:</u> In the current year General Fund expenditures exceeded budgeted amounts by 36.10%.	Unresolved.
<u>SECTION II</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
A single audit was not required.	Response – N/A
<u>SECTION III</u> MANAGEMENT LETTER	
N/A- No Management Letter issued.	Response – N/A